CCL Industries Inc. 2000 Annual Report

FINANCIAL HIGHLIGHTS

(dollars in thousands except per share data)

For the year ended December 31st	2000	1999
Sales	$ 1,589,087	$ 1,568,875
EBITDA	183,295	197,532
Depreciation, and amortization of other assets	75,351	68,759
Interest	36,560	35,642
Income from operations before restructuring costs, income taxes and goodwill amortization	71,384	93,131
Restructuring costs	18,776	–
Earnings before income taxes and goodwill amortization	52,608	93,131
Income taxes	13,156	26,760
Earnings before goodwill amortization	39,452	66,371
Goodwill amortization, net of tax	12,798	12,741
Net earnings	$ 26,654	$ 53,630
Per Class B share		
Earnings before goodwill amortization	$ 1.04	$ 1.68
Net earnings	$ 0.70	$ 1.36
Cash flow before restructuring costs	$ 3.47	$ 3.48
At year end		
Total assets	$ 1,379,740	$ 1,422,455
Net debt	$ 486,139	$ 512,601
Shareholders' equity	$ 558,201	$ 564,298
Net debt to equity ratio	0.87	0.91
Return on average equity	4.7%	9.4%
Net debt to total capitalization	46.5%	47.6%
Book value per share	$ 15.22	$ 14.36
Number of employees	7,500	7,300

Donald G. Lang
President and Chief Executive Officer

As a CCL stakeholder you will probably agree that the past year can be summed up in a single word: Disappointing. This was in no small part due to the unexpected slowdown that hit our industry – a state of affairs that created sluggish and erratic demand from many of our customers. When combined with operational inefficiencies at a few CCL locations, this slowdown translated into a drop in after tax earnings for the year to $41.9 million (before restructuring costs), or $1.10 per share. Net earnings and earnings per share (including restructuring costs) were $26.7 million and $.70 respectively, and sales increased marginally to $1.59 billion. Our strategy of concentrating on CCL's core strengths through divesting non-core, under-performing businesses led to restructuring charges of $18.8 million before tax, or $.40 per share after tax.

A tough year? Yes. A disappointing one? Most certainly. Will this be the case indefinitely? Absolutely not!

Last year, we stated that we wanted to be known as the market leader in developing unique packaging solutions for getting consumer products to market, quickly and cost effectively. Our strategy for achieving this goal is to become a preferred manufacturing outsourcing partner and supplier of innovative packaging and labeling to customers operating in industry segments that we choose to compete in – namely the higher profit margin, value-added markets rather than commodity markets. We also said that to succeed we need to be passionate about innovation. And we identified five key operating principles: Financial Performance and Growth; Dynamic Customer Relations; Innovation; Technology; and the Integration of Ideas across the Company.

We are now one year down the road, and our goal hasn't changed. Perhaps most encouraging is the fact that while financial performance in 2000 was lacklustre and sales growth minimal, we successfully retained all of our major customers and have signed a number of new long-term supply contracts with them. And we continue to foster strong customer relationships built on trust and performance – an achievement that should not be taken lightly, especially in a business environment where customer satisfaction is paramount.

To quote Frank J. Casale, President of New York City based The Outsourcing Institute: "Companies today are operating in an environment of hyper-competition that is forcing them to focus – both generally and specifically – on where they are most competent. They can no longer afford to divide their time, attention and resources on all the things that they do. It's imperative that they stick to their knitting, so to speak, and concentrate on their primary or core business." Essentially this is what CCL's customers are doing – getting back to basics and focusing on their core business strengths. CCL adds to their success by letting them concentrate on what they do best, by doing what we do best on the custom manufacturing, packaging and labeling fronts.

Helping our customers achieve their goals does not mean that CCL can be complacent. CCL must continue to evolve. This spirit of change can be found throughout the Company and at all levels. Take our Innovation Councils, which are made up of representatives from various plants and geographic locations that bring forward product and process advancements that can be strategically applied for competitive advantage. Or, the new metrics within our business units that measure the percentage of sales coming from products that are less than two years old. Innovation also applies to our relationships with suppliers in developing eBusiness initiatives to better manage the supply chain between our suppliers, our customers and ourselves. This year we are executing a number of pilot projects to improve the efficiency of transactions and increase the speed and management of information.

We should point out that in 2000, CCL had a number of significant "wins" in all three Divisions. We continued to invest in new plants and equipment, in product categories unaffected by the economic slowdown. Many of our plants met or exceeded their 1999 income performance. For instance, we achieved record income levels at our liquid Custom Manufacturing plant in Rexdale, Ontario and in our Memphis, Tennessee Label facility. Our Aerosol Container facilities also showed significant improvement and growth attributable, in part, to a shift in demand for their new higher margin specialty aluminum containers. Nine of the twelve Label plants also reported improved profitability over the previous year.

Custom Manufacturing negotiated a number of longer-term "Full Service" contracts with marketers which entail more of the purchasing and logistics of the raw materials and components. These contracts provide opportunities to combine purchasing leverage, while solidifying customer relationships. We continue to see opportunities to expand the scope of Custom Manufacturing, as marketers implement plans to rationalize their manufacturing facilities and their positions in the supply chain.

In 2000, we focused our new investment in the categories of higher growth and specialty products. We quadrupled manufacturing capacity in Germany for the "bag-in-can" barrier filling of gel products, and have just completed an expansion at our Rexdale, Ontario liquid filling plant to build on their success of filling more complex personal care creams and lotions.

During the year, we also completed a major expansion of our Sioux Falls, South Dakota Label plant to accommodate pharmaceutical and specialty labels. Additionally, we are in the process of establishing a manufacturing plant in Wilkes-Barre, Pennsylvania, featuring state-of-the-art plastic tube lines to serve the East Coast and the growing demand for large diameter, highly decorated plastic tubes.

In 2000, we encountered a number of significant short-term hurdles and setbacks which contributed to the lower than expected results. Some of these issues, for example, volume shortages and plant manufacturing issues, are within our control and are being effectively managed. Others, such as the insufficient supply of quality components for our rapidly growing "bag-in-can" aerosol technology and the electricity shortages experienced in California, are more dependent on the actions of outsiders. All of these issues are fixable and many are on their way to being resolved.

During the year, we started to review all of our businesses with an eye to divesting under-performing or non-core units. This process moved ahead in a difficult economic environment, with the sale of CCL Labeling Equipment to the Barry-Wehmiller Companies, allowing CCL Label to focus on its core business of printing pressure-sensitive label products. We are currently in negotiations to divest additional small business units.

As we continue to take advantage of opportunities to divest non-core businesses, we will use the cash proceeds to invest in businesses that provide a better synergistic fit as well as opportunities for revenue and income growth.

Also during the year, CCL introduced several initiatives to help us weather the storm, should the economy continue to slow – including right-sizing the overhead costs, continued cost cutting and capital spending reduction programs.

Steven Lancaster
Senior Vice President and Chief Financial Officer

Mary Roy
Vice President Environmental and Regulatory Services

Richard Zakaib
Vice President Corporate Development

Janis Wade
Senior Vice President Human Resources and Corporate Communications

Mel Snider
Executive Vice President

We believe that such measures will help us achieve our target rate for return on equity in excess of 12% over the longer term. However, based on current economic conditions, our earlier targeted 15% annual earnings growth will be very difficult to achieve. Nonetheless, it is a goal we are striving for and one that will be helped along by the fact that people need certain items – like shaving cream and hair gel – daily, regardless of the economic cycle's peaks and valleys.

2000 was also a year in which we strengthened our talent to help CCL meet the challenges of 2001 and beyond. We promoted Steven Lancaster, our very capable Senior Vice President of Finance and Administration, to the role of Chief Financial Officer. Senior Executive, Richard Zakaib, was relocated from our Container Division into the new role of Vice President, Corporate Development, where he will assist with the implementation of our strategy to divest non-core businesses and identify growth opportunities. We also hired a new Chief Information Officer, Akhil Bhandari, to implement a plan to improve the return on our information technology assets and lead us into the future of eBusiness. Throughout the organization, our people continued to rise to the challenge of finding new and better products, services and processes. We thank all of them for their effort and contribution during this difficult time.

Looking ahead to 2001, we have set some very specific objectives that complement many of the concepts and business goals established last year and will help to weather a poorer economy. These include: (1) fixing the operational issues; (2) continuing to add to our selection of innovative products and services; (3) continuing to improve CCL's strong cash flow; and (4) divesting non-core, non-performing businesses. Unfortunately, the sluggish demand pattern we are currently experiencing continues to cloud the outlook for targeted earnings improvements in 2001.

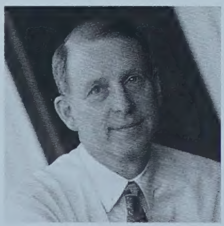
2001 will also see us celebrate our 50th anniversary, representing a half century of growth and prosperity. There were challenges during those years too – both internal and external. Whatever the challenge, your Company has continually proven its ability to innovate, reinvent itself and succeed. These are our true strengths.

At the end of the day, we believe CCL stands as a company with exceptional value in assets and employees, servicing a blue chip customer base. We have earned their trust by servicing their packaging needs for 50 years. Furthermore, we believe that the short-term issues that we faced in 2000, can be and are being fixed. We believe our forward-looking strategy of being the industry leader in the value-added niche markets is still the right strategy for creating long-term value for our shareholders.

Donald G. Lang
President and Chief Executive Officer

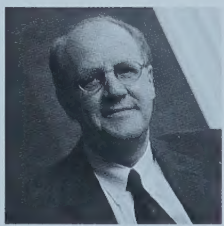
Jon K. Grant
Chairman of the Board

Akhil Bhandari
Vice President
Information Technology
and Chief Information Officer



Paul Cummings
President
CCL Custom Manufacturing

Rami Younes
President
CCL Container



Serge De Paoli
President
CCL Label

Certain statements contained in the following Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements, including statements concerning possible or assumed future results of operations of the Company. Forward-looking statements typically are preceded by, followed by or include the words – "believes," "expects," "anticipates," "estimates," "intends," "plans" or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, and the Company's results could differ materially from those anticipated in these forward-looking statements.

Background

CCL Industries Inc. creates innovative packaging solutions internationally for personal care and household consumer products. CCL is a market leader in the packaging markets it serves: outsourcing and custom manufacturing; specialty aluminum, tin, laminate and plastic container packaging; and high-impact identification and information labels. Its packaging solutions are used by the largest international consumer brands in personal care, cosmetics, pharmaceutical, household and specialty food products. The Company employs approximately 7,500 people and operates 34 production facilities in North and Central America, Europe and Asia.

Market Overview

The market dynamics in 2000, which influenced the non-durable consumer products market within North America and Europe, included an erratic demand pattern and continued consolidation of customers, suppliers and competitors. A number of national marketers announced plans to rationalize their approach to supplying the retailer and improving their profitability. These plans include a reduction in the number of formulas or brands and brand sizes within their product lines, divestiture of non-core products, and consolidation of their manufacturing facilities. The expectations for their suppliers also escalated for shorter and more frequent runs, continued price reductions, and the implementation of electronic customer interface through integrated information systems and the Internet in order to reduce transaction time and costs.

The year 2000 was a challenging year for CCL and its major customer and supplier base in this sector of the consumer packaging industry. It was a year significantly affected by the focus on the above changes in industry dynamics combined with lower than anticipated demand, which resulted in many packaging and consumer products companies issuing earnings warnings throughout the year. The non-durable manufacturing sector in the United States, as measured by the U.S. Federal Reserve, was down 4.4% in the fourth quarter. This contributed to a negative growth of 1.6% for the year. This easing in demand, which was most evident in the mass-market personal care, household and pharmaceutical product categories, started in the first quarter of 2000 and was initially attributed to an earlier Y2K build-up of inventories. This condition, however, persisted throughout the year and continues to affect the outlook for 2001. Fortunately, demand remained robust in the cosmetics and most of the specialty product categories. This growth helped to offset some of the decline in CCL's larger volume product categories.

This lower than expected demand, in addition to other specific divisional factors described under **Report on Divisional Operations** below, resulted in a reduction in income contribution from operations in 2000 compared to 1999. In the Fourth Quarter, the Company recorded restructuring costs of $18.8 million before tax. Earnings for the year, before restructuring costs, were $41.9 million after tax or $1.10 per Class B share. This compares to net earnings and earnings per share in 1999 of $53.6 million and $1.36 per Class B share. Net earnings and earnings per Class B share in 2000, including restructuring costs, were $26.7 million and $0.70 respectively.

The Company responded to this change in market outlook during 2000 with a number of initiatives that were designed to minimize the effect of this volume reduction and to improve near-term shareholder value. Significant cost cutting and capital spending reduction programs were instituted. A strategic decision was also made to divest a number of under-performing or non-core businesses.

In 2000, as a result of the above divestiture plan, the Company recorded as restructuring costs $18.8 million before tax or $0.40 per share in connection with a loss on disposal, asset write-downs and other related expenses. On December 1, 2000, the Company announced the sale of its labeling equipment business unit for $6.3 million. As at year end, the Company was also in negotiations to sell other small business units.

The Company, however, continued to invest in new plant and equipment in product categories unaffected by the slowdown. In 2000, $61.1 million was spent on maintaining its plants and investing in expanded capacity which will benefit the Company starting in 2001. In spite of the lower than expected earnings, cash flow from operations remained strong. Free cash from operations and a small divestiture was used to reduce net debt by $26.5 million despite the repurchase of 2.73 million of the Company's shares at a cost of $25.4 million under its Normal Course Issuer Bids. Excluding the share buy-back and the currency translation effect on the U.S. dollar-denominated debt, CCL generated nearly $70 million in cash flow in 2000.

Results of Consolidated Operations

	2000	1999	Change $	Change %
Sales	**$ 1,589.1**	$ 1,568.9	20.2	1.3
EBITDA	**183.3**	197.5	(14.2)	(7.2)
Depreciation, and amortization of other assets	**75.4**	68.8	6.6	9.6
Interest	**36.5**	35.6	0.9	2.5
Income from operations before restructuring costs, income taxes and goodwill amortization	**71.4**	93.1	(21.7)	(23.3)
Restructuring costs	**18.8**	–	18.8	–
Earnings before income taxes and goodwill amortization	**52.6**	93.1	(40.5)	(43.5)
Income taxes	**13.1**	26.8	(13.7)	(51.1)
Earnings before goodwill amortization	**39.5**	66.3	(26.8)	(40.4)
Goodwill amortization, net of tax	**12.8**	12.7	0.1	0.8
Net earnings	**$ 26.7**	$ 53.6	(26.9)	(50.2)
Per Class B share				
Earnings before restructuring costs and goodwill amortization	**$ 1.43**	$ 1.68	(0.25)	(14.9)
Earnings before restructuring costs	**$ 1.10**	$ 1.36	(0.26)	(19.1)
Net earnings	**$ 0.70**	$ 1.36	(0.66)	(48.5)
Fully diluted earnings	**$ 0.70**	$ 1.33	(0.63)	(47.4)
Cash flow before restructuring costs	**$ 3.47**	$ 3.48	(0.01)	(0.3)

Balance Sheet Data	2000	1999
Assets	**$ 1,379.7**	$ 1,422.5
Shareholders' equity	**$ 558.2**	$ 564.3
Number of shares outstanding (million)	**36.7**	39.3
Book value per share (dollars)	**$ 15.22**	$ 14.36
Net debt	**$ 486.1**	$ 512.6
Net debt to capitalization	**46.5%**	47.6%

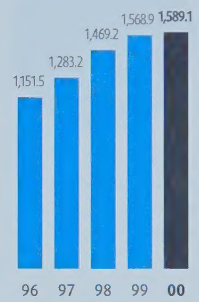
Report on Consolidated Results

In 2000, consolidated sales of $1,589.1 million increased 1.3% from the prior year. Sales increased by $39.5 million in the Custom Manufacturing Division with the net increase primarily attributable to a full year's ownership of the German-based business unit which was acquired in June 1999, and entering into additional "full service" contracts discussed under the divisional report below. The weaker European currencies in 2000 impacted sales negatively by nearly $20 million due to foreign currency translation. In the Container Division, total sales were flat year over year. The significant increase in demand for aluminum aerosol containers, plastic tubes and closures by the cosmetics industry was largely offset by a reduction in collapsible aluminum tube sales. Sales in the Label Division were lower by $18.4 million in 2000 compared to the prior year. The reduced demand within the mass-market personal care, household and pharmaceutical consumer product categories, which affected all three CCL Divisions, was particularly evident in the Label Division.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased $14.2 million to $183.3 million, or 7.2% compared to 1999. This decrease represents increased operating losses of $3.6 million in 2000 compared to 1999 from the business units being divested, as well as approximately $5.0 million in increased operating losses for a "green field" label plant commissioned in 1999 to focus on long-run personal care labels. The balance represents a combination of decreased demand, margin and product mix across all three Divisions.

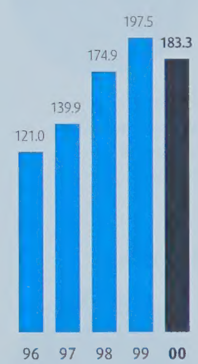
Sales

Millions of dollars



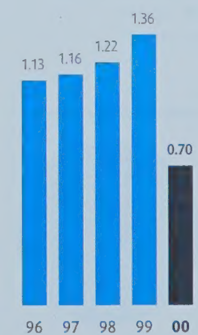
EBITDA

Millions of dollars

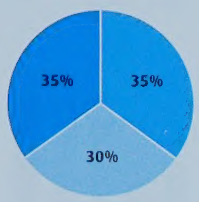


Earnings per Class B Share

Dollars

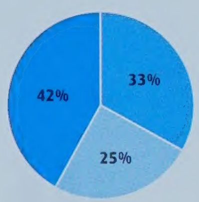


2000 EBITDA



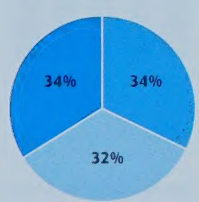
by Division
- Custom Manufacturing
- Container
- Label

2000 Operating Income



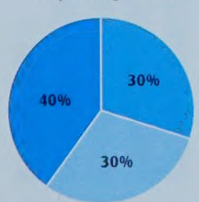
by Division
- Custom Manufacturing
- Container
- Label

1999 EBITDA



by Division
- Custom Manufacturing
- Container
- Label

1999 Operating Income



by Division
- Custom Manufacturing
- Container
- Label

Depreciation and amortization of other assets increased $6.6 million in 2000 compared to 1999 as a result of the significant capital expenditure program in the prior two years. A new integrated information system was installed in 1998 and 1999 and commissioned in the fourth quarter of 1999. The net increase in depreciation related to this expenditure in 2000 was $4.0 million. Earnings before interest, taxes, restructuring costs and goodwill amortization decreased $20.8 million to $107.9 million.

Interest expense for the year was $0.9 million higher than 1999 due to higher short-term rates on the floating rate debt.

The effective income tax rate for the Company is lower than the combined Canadian federal and provincial income tax rate due to lower tax rates in foreign jurisdictions. The effective income tax rate for the year of 28.7% was lower than 31.0% in 1999, due principally to reduced income in jurisdictions with higher rates. The rate, in any given year, is also affected by the utilization of loss carry-forwards not previously recognized and the impact of non-deductible goodwill amortization. The Company expects that future years' rates will continue to be at this level or lower as the governments in these foreign jurisdictions maintain or reduce corporate taxes.

Income from operations for the year, before restructuring costs, income taxes, and goodwill amortization, was $71.4 million compared to $93.1 million for 1999. The restructuring costs amounted to $18.8 million before tax or $0.40 per share. Goodwill amortization, net of tax, remained virtually unchanged in 2000 compared to 1999. Net earnings for the year of $26.7 million and earnings per Class B non-voting share of $0.70 compared to $53.6 million and $1.36 respectively in 1999. When outstanding share options are considered, fully diluted earnings per Class B share were $0.70 compared to $1.33 in 1999.

Cash flow remained stable in 2000 despite the decreased earnings. The additional depreciation and the loss on asset disposals and impairments are non-cash items and do not reduce cash flow. In addition, capital spending in 2000 was $30.0 million less than the year earlier. During the year, free cash available from operations and the asset disposal was used to reduce the net debt by $26.5 million and to repurchase the Company's shares using the Normal Course Issuer Bid process. During 2000, the Company spent a total of $25.4 million to repurchase 2.73 million Class B non-voting shares at an average price of $9.30 each.

As at December 31, 2000, shareholders' equity stood at $558.2 million compared to $564.3 a year earlier. There were 36.7 million Class A voting and Class B non-voting shares outstanding compared with 39.3 million a year earlier. Book value per share was $15.22 at December 31, 2000 compared with $14.36 a year earlier. Net debt at the same date was reduced to $486.1 million compared to $512.6 million a year earlier. The foundation of the Company's long-term debt is comprised of three private placements for a total US$333.0 million (Cdn$499.3 million at December 31, 2000), with an average interest rate of 6.8% and an eight-year average term to maturity. The net debt to capitalization at December 31, 2000 was 46.5% compared to 47.6% at December 31, 1999.

Quarterly Sales and Earnings by Division

2000	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Year
Sales					
Custom Manufacturing	$ 223.9	$ 204.4	$ 200.4	$ 203.6	**$ 832.3**
Container	88.3	81.9	82.7	80.2	**333.1**
Label	106.8	108.8	106.0	102.1	**423.7**
Total sales	$ 419.0	$ 395.1	$ 389.1	$ 385.9	**$ 1,589.1**
Divisional operating income					
Custom Manufacturing	$ 12.9	$ 11.7	$ 9.4	$ 8.0	**$ 42.0**
Container	9.0	9.4	7.9	6.3	**32.6**
Label	8.1	7.7	6.1	3.6	**25.5**
Contribution from operations	$ 30.0	$ 28.8	$ 23.4	$ 17.9	**$ 100.1**
Restructuring costs	–	–	–	$ 18.8	**$ 18.8**
Earnings/(loss) before goodwill amortization	$ 15.8	$ 15.4	$ 12.0	$ (3.7)	**$ 39.5**
Net earnings/(loss)	$ 12.6	$ 12.2	$ 8.8	$ (6.9)	**$ 26.7**
Per Class B share					
Earnings before restructuring costs and goodwill amortization	**$ 0.41**	**$ 0.40**	**$ 0.31**	**$ 0.31**	**$ 1.43**
Earnings before restructuring costs	**$ 0.33**	**$ 0.32**	**$ 0.23**	**$ 0.22**	**$ 1.10**
Net earnings/(loss)	**$ 0.33**	**$ 0.32**	**$ 0.23**	**$ (0.18)**	**$ 0.70**

1999		Qtr 1		Qtr 2		Qtr 3		Qtr 4		Year
Sales										
Custom Manufacturing	$	195.2	$	188.7	$	200.8	$	208.1	$	792.8
Container		88.2		84.8		82.0		79.0		334.0
Label		110.2		115.3		109.7		106.9		442.1
Total sales	$	393.6	$	388.8	$	392.5	$	394.0	$	1,568.9
Divisional operating income										
Custom Manufacturing	$	11.8	$	12.7	$	11.5	$	12.0	$	48.0
Container		10.2		10.3		8.7		7.7		36.9
Label		8.9		10.1		9.4		8.0		36.4
Contribution from operations	$	30.9	$	33.1	$	29.6	$	27.7	$	121.3
Earnings before goodwill amortization	$	16.2	$	17.8	$	16.4	$	15.9	$	66.3
Net earnings	$	13.2	$	14.6	$	13.2	$	12.6	$	53.6
Per Class B share										
Earnings before goodwill amortization	**$**	**0.41**	**$**	**0.45**	**$**	**0.41**	**$**	**0.41**	**$**	**1.68**
Net earnings	**$**	**0.33**	**$**	**0.37**	**$**	**0.33**	**$**	**0.33**	**$**	**1.36**

Summary of Operations by Division

		2000		1999	% Change
Divisional sales					
Custom Manufacturing	**$**	**832.3**	$	792.8	5.0
Container		**333.1**		334.0	(0.3)
Label		**423.7**		442.1	(4.2)
Divisional EBITDA					
Custom Manufacturing	**$**	**67.4**	$	69.9	(3.6)
Container		**66.8**		69.6	(4.0)
Label		**55.9**		65.4	(14.5)
Divisional operating income					
Custom Manufacturing	**$**	**42.0**	$	48.0	(12.5)
Container		**32.6**		36.9	(11.7)
Label		**25.5**		36.4	(29.9)
		100.1		121.3	(17.5)
Corporate expense		**(7.4)**		(8.0)	7.5
Interest expense		**(36.5)**		(35.6)	(2.5)
Income from operations before restructuring costs and income taxes	**$**	**56.2**	$	77.7	(27.7)

Report on Divisional Operations

Custom Manufacturing

The Custom Manufacturing Division produces aerosol, liquid, cream, lotion, toothpaste and solid stick products for marketers of well-known consumer brands. It is the largest contract manufacturer of aerosol products in the world and has three plants in the United States, two in Canada, four in the United Kingdom, one in Germany and a joint venture in China.

Year over year sales for this Division increased $39.5 million to $832.8 million. The dollar value of sales in this Division increased due to the increased sales from the German-based operations (acquired in June 1999) and additional "full service" contracts. The additional sales contributed by the German-based facility for the full year 2000, compared to the half year in 1999, amounted to $22.8 million. Sales were negatively affected by the weaker European currencies in 2000 which reduced sales by nearly $20 million due to the currency translation. In addition, the Custom Manufacturing Division has over the past two years entered into additional "full service" contracts

with a number of its customers. These contracts require the Division to undertake more of the purchasing and logistics of the raw materials and components for the finished product. The revenue received under these contracts is a combination of the traditional higher value formulation and filling fee, the cost of the purchased materials, and a small revenue charge to compensate for the purchasing activity. "Full Service" contracts result in a significantly higher sales dollar value and conversely a lower return on sales being recorded per unit manufactured.

These contracts benefit the Division through the ability to combine purchasing leverage for materials, while at the same time, solidifying customer relationships. "Full Service" activity has increased with the trend by customers to reduce their investment in manufacturing assets and to focus on brand development and marketing. If the German-based operations and the additional "full service" contracts are removed from the sales base, the result is a lower sales and unit volume in the aerosol-filling category in 2000, compared to 1999.

Custom Manufacturing's largest product category is aerosol filling followed by liquid filling. Non-aerosol filling, being mainly liquids, represented approximately 40% of the Division's unit volume in 2000. Personal care and household liquid volumes increased approximately 2% in the North American and U.K. plants in 2000, compared to 1999, whereas aerosol volumes for these product groups in these countries declined approximately 5%. This increase in liquid filling volume was achieved despite the softness in the personal care and pharmaceutical product categories and is attributable to a number of new contract awards in 2000.

The North American and European aerosol industry usage of personal care and household products remained fairly constant at just under the 7 billion unit level, of which approximately 50% was outsourced for filling to contract manufacturers in both 1998 and 1999. Industry data is not yet available for 2000; however, Custom Manufacturing expects these results to mirror the 5% reduction in volume experienced by the Division in 2000.

The German-based aerosol facility has the added capability of bag-in-can barrier filling. Demand for this product form is high and CCL's capacity, which quadrupled in 2000, is sold out well into 2001. The income contribution from this business unit, however, decreased in 2000 over 1999 due to problems with the supply of sufficient quality components for the bag-in-can operations. This recurring supply issue created significant manufacturing inefficiencies throughout the year but is anticipated to improve in 2001. The contribution from the U.K.-based pharmaceutical business unit also decreased in 2000, compared to 1999, due to a fall-off in demand. The decrease in contribution from these two business units totaled \$4.9 million. Also in North America, depreciation increased by \$2.9 million for the new integrated management information system and other related operating costs increased by \$2.5 million in 2000.

The Custom Manufacturing Division, in total, contributed \$42.0 million in operating income in 2000 compared to \$48.0 million in 1999. EBITDA was \$67.4 million and \$69.9 million in 2000 and 1999 respectively.

During the year, the Division spent \$23.5 million on capital, compared to \$31.3 million in 1999, to reduce costs, and maintain and expand its manufacturing base. Depreciation and amortization for the Division in 2000 increased a total of \$3.4 million to \$25.4 million compared to \$22.0 million in the previous year. The Canadian liquid filling complex was expanded to accommodate significant additional business awarded to it under contracts, and the German facility both upgraded its plant and purchased additional filling capacity to accommodate the growing bag-in-can gel product category.

Recent investment by the Division in production equipment has been directed to growing product lines such as barrier filling of gel products and the more complex personal care creams and lotions. The Division believes it currently has sufficient filling capacity installed to meet expected demand for aerosol and other traditional liquid products.

The Custom Manufacturing Division's pricing to marketers normally is comprised of a manufacturing fill fee plus a charge for purchasing raw materials. The risk of raw material price fluctuations is minimized since these costs are passed on to the customer.

This Division produces, in many instances, for marketers who also have "in-house" manufacturing facilities or alternative suppliers. In recent years, there have been a significant number of mergers within the customer and the competitor bases. The current level of marketer consolidation and facilities rationalization creates both risks and opportunities for the Division. A customer merger may result in economies of scale for the marketer justifying consolidation of products "in-house" or, alternatively, additional outsourcing with contract manufacturers. However, as customers become larger through industry consolidation, they are also able to exert increased margin pressure on contract manufacturers, while striving to reduce their supplier base to obtain purchasing leverage and reduced transaction costs. The Custom Manufacturing Division, with its size, updated information systems, and the geographic coverage of its plants, is a logical contender for any new outsourcing opportunities.

At year end, the Division was proceeding with agreements to dispose of smaller business units and to downsize and restructure other parts of the business. In the Fourth Quarter, the Company recorded, as restructuring costs, a write-down of $14.6 million for certain operating assets primarily in the Custom Manufacturing Division, to reflect management's best estimate of net realizable value and $1.8 million associated with restructuring the operations.

Container

The Container Division is North America's largest manufacturer of aluminum specialty containers, including recyclable aerosol cans and bottles, and aluminum and tin tubes. The Division is also a leading manufacturer of laminate tubes, plastic tubes, closures and jars. In 2000, it operated from six plants in the U.S., one in Canada, one in Mexico and one in Costa Rica.

On August 29, 2000, the Division announced the decision to consolidate its two metal tube manufacturing facilities into one by the end of the second quarter of 2001. In addition, on November 30, it announced the establishment of a new state-of-the-art East Coast plastic tube facility, which will begin operations by the end of the first quarter of 2001 with further capacity being added over the next two years. This plant will help serve the large East Coast customer base and provide a second source of supply for customers.

Divisional sales for 2000 increased $8.0 million or 2.3% to $350.3 million compared to $342.3 million in 1999. The Container Division's sales of aerosol containers to the Custom Manufacturing Division were $17.2 million in 2000 compared to $8.3 million in 1999. The elimination of these sales upon consolidation, results in sales to non-CCL entities of $333.1 million in 2000 compared to $334.0 million in 1999. EBITDA decreased $2.8 million to $66.8 million and the Division's operating income decreased by $4.3 million for the year due to significant volume and operational issues in the aluminum tube and plastics businesses.

Sales and units in the North American Aerosol Business Unit, which includes aerosols, markers and cartridges, increased 7.5% in 2000 in spite of the difficult economic climate. The income contribution from this business increased approximately 20% as a result of the volume increase, manufacturing efficiencies, and a shift in product mix to higher margin specialty aerosol containers.

The combined results of the Mexican and Costa Rican operations were basically the same in 2000 as in 1999.

Demand for aluminum tubes fell off significantly early in 2000 as North American marketers of hair dyes imported the finished product from Europe, due to the cheaper Euro and available European manufacturing capacity. Demand for North American aluminum tubes suddenly returned to more normal levels during the last quarter of the year as some older inefficient manufacturing plants in Europe were shut down. This erratic demand pattern created significant operational inefficiencies in this business unit. Sales of aluminum tubes for the year were down $11.5 million and income down $6.7 million from the year earlier as management dealt with this situation. In spite of the recent surge in demand, the Division will continue with its plan to consolidate two aluminum tube manufacturing plants. It anticipates that the consolidation will result in a sufficient level of manufacturing capacity to meet customer long-term needs and at the same time afford it an opportunity to gain significant synergies.

Sales of the plastic packaging business unit increased by $10.4 million compared to 1999 and operating income was moderately lower than the prior year. The demand for large diameter plastic tubes and dispensing closures by the cosmetics industry remained strong and accounted for the sales increase. The combination of plant manufacturing issues, higher resin costs and the continuing electricity shortages in California account for the stagnation in income.

The Container Division spent $26.4 million on capital, compared to $29.0 million in 1999, to reduce costs and expand its base. Depreciation and amortization in 2000 amounted to $34.2 million compared to $32.7 million in 1999. Major expansion projects included the purchase of a new East Coast plastic plant, down payments on plastic tube manufacturing lines and related equipment for this new facility, purchase of additional molds for plastic dispensing closures, and the upgrade of an existing aerosol line to accommodate longer length containers.

A significant variable cost in the Container Division is aluminum which represents over 45% of the cost of finished containers. Aluminum is a commodity that trades on the London Metal Exchange, and is supplied by a limited number of global producers. Volatility in aluminum prices can significantly impact manufacturing costs and may influence marketers to shift to alternative types of containers. The Division uses a hedging program to moderate the fluctuations in the cost of this commodity. Fluctuations in the market price of aluminum during 2001 will not have a material impact on the Division's 2001 operations as the majority of its estimated requirements have been hedged with forward contracts at below current market prices. Contracts have also been purchased to cover a significant portion of the expected requirements in 2002 and 2003. In combination with fixed price contracts with a number of its significant customers, the Division hedges the cost of aluminum to stabilize profit margins.

The Container Division is also a significant converter of polyethylene and polypropylene plastic resins. During the first half of 2000, heavy demand combined with price escalation of petroleum-related commodity resins resulted in significant price increases from suppliers. At the end of the year, demand for resin had moderated with the slowdown in the economy, which resulted in costs stabilizing. Expectations for 2001 are for stable to declining prices due to the economic slowdown and the bringing on-line of additional manufacturing capacity by suppliers. There is no viable hedging program similar to the one used for aluminum available for these types of plastic resins. The Division has to rely on customer contracts to pass on price increases for costs such as resin and energy.

The Division's largest plastic manufacturing operation is located in Los Angeles, California. In the Fourth Quarter of 2000, this facility experienced regular interruptions due to the "brownouts" from the shortage of electricity in California. Recently, the risk of absolute "blackouts" has increased. The plastic manufacturing process is heavily dependent on a predictable cost-effective source of energy. The risk to profitability and customer service associated with this issue, will continue until a solution is worked out between State regulators, electrical distributors, and their suppliers. The Division is studying the possibility of moving additional manufacturing to the new East Coast plant from this location in order to maximize production.

The Container Division has invested significant time and dollars in innovative techniques to utilize its manufacturing equipment and expertise in order to expand the product lines available to its customers. While the standard aerosol market remains mature, specialty containers such as beverage mugs, sports drink bottles, threaded bottles and barrier packages continue to be promising growth markets. The demand remains high for the Division's new larger size/highly decorated personal care and cosmetic plastic and laminate tubes, innovative closures, and tube applicators, which expand the customer's markets and differentiate its product lines.

The market for the traditional aluminum, tin and smaller sized plastic tubes is expected to grow nominally. The biggest risk and opportunity within these categories remains movement of market share between the Division and its competitors, including imports.

Label

The Label Division is a leading North American producer of pressure-sensitive self-adhesive labels and promotional products. The Division designs and prints a wide range of high-quality paper and film, expanded content, promotional, coupon, prime and in-mold labels for a broad spectrum of consumer applications in eight plants in the U.S., three in Canada, one in Mexico and one in Puerto Rico.

Sales in the Label Division decreased by $18.4 million or 4.2% in 2000 to $423.7 million compared to 1999. The labeling equipment business unit, which contributed $20.6 million in sales in 2000 and had small operating losses in each of 2000 and 1999, was sold on December 1, 2000 at a loss of $2.4 million. The loss was charged to restructuring costs. Approximately 65% of the Division's total sales, excluding equipment sales, were to the personal care, household and pharmaceutical market segments. Sales from the Division to these market segments fell approximately 10% in the year. This drop relates to a general industry drop in demand and a Y2K build-up in 1999 and was not significantly affected by the loss of customers. Sales to the promotional, cosmetic and agricultural chemical markets increased approximately 10% in 2000 on a smaller sales base.

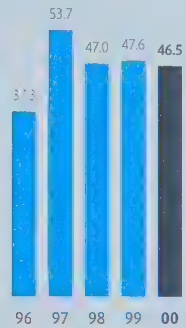
Operating income in the Division decreased $10.9 million or 29.9%. This decrease is directly attributable to the operating results of three of the eight plants in the United States and one in Mexico, which focus on the personal care, household, and pharmaceutical markets. The contribution from these plants fell approximately $12 million in 2000 compared to 1999. In 1999, a new large "green field" plant was commissioned to focus specifically on long-run personal care labels. The operating loss in this plant in 2000 accounted for $5 million of the drop in contribution, due to manufacturing inefficiencies and the lack of sales volume. The remaining nine plants, including the three in Canada all reported improved profitability over the previous year. The Label Division's EBITDA for the year was $55.9 million, a $9.5 million decrease, compared to $65.4 million in 1999.

The Division spent $10.3 million on capital in 2000, compared to $30.5 million in 1999, for growth and cost reduction projects. Depreciation and amortization in 2000 increased $1.4 million to $30.3 million compared to $28.9 million in 1999. The major expansion project for the Label Division of $4.6 million was the completion and commissioning of a plant expansion in Sioux Falls, South Dakota, including new presses and related equipment, to produce pharmaceutical and specialty labels. This facility is one of the largest pressure-sensitive operations in the United States.

The Label Division uses paper and plastic film raw materials sourced from the paper and petro-chemical industries. Historically, during periods of price volatility for raw materials, the Label Division has been able to pass on these cost increases to customers. As customers rationalize suppliers and leverage their buying power, this Division has experienced aggressive price competition. However, this growing trend among customers to adopt a global approach to supply has led to a need for suppliers who can effectively handle the larger volumes. CCL's Label Division is well positioned, with its twelve plants, to meet this need.

There is a close alignment in label demand to the change in consumer demand for non-durable goods. Management believes, however, that the demand for functional labels, multi-lingual, high-visibility and high-impact packaging, high-end consumer coupons and booklets, will continue to drive growth in the pressure-sensitive label market. The Division will continue to direct its investment dollars to these high-end personal care, pharmaceutical and specialty promotion markets, and its operating strategy is to optimize the utilization of existing plants and their unique capabilities. Product innovation will remain a key priority to enable growth within these markets and to support entry into new markets.

Net Debt to Total Capitalization
Percentage

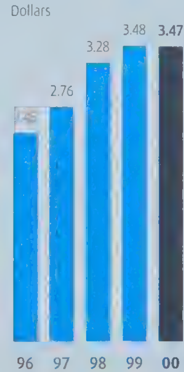


Liquidity and Capital Structure

As at December 31, 2000, the Company had total debt outstanding of $518.0 million and cash and short-term investments of $31.9 million, for a net debt position of $486.1 million. At December 31, 1999, total debt outstanding was $543.0 million and cash and short-term investments were $30.4 million, for a net debt position of $512.6 million. The reduction in net debt outstanding during 2000 is attributed to net cash inflow as follows:

Cash inflows		
Cash provided by operations	$	133.0
Proceeds from divestiture		6.3
Other		3.5
Cash outflows		
Spending on capital assets		(61.1)
Dividends to shareholders		(12.1)
Share buy-back under Normal Course Issuer Bid process		(25.4)
Net cash inflow		44.2
Translation of U.S. dollar denominated debt		(17.7)
Decrease in net debt	$	26.5

Cash Flow per Class B Share
(before restructuring costs in 2000)
Dollars

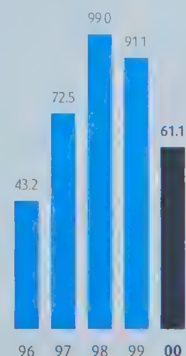


The Board of Directors has indicated that the highest level of financial leverage as measured by the net debt to total capitalization ratio for the Company in this uncertain economy should be no higher than 50%. This ratio has decreased from 47.6% at the end of 1999 to 46.5% at the end of 2000, primarily due to cash flow from operations. It is anticipated that the continuation of strong operating cash flows and selective non-core divestitures will assist in reducing the net debt to total capitalization ratio below the current level.

Cash flow (defined as net earnings, plus depreciation and amortization) per Class B share, before restructuring costs, decreased slightly to $3.47 from $3.48 in 1999 due to the reduced operating performance.

Capital spending, which totaled $61.1 million in 2000 versus $91.1 million in 1999, was incurred in all Divisions with a view to increasing capacity based on customers' requirements, implementing cost reduction programs, and maintaining the existing business base.

Capital Spending
Millions of dollars



In 2001, it is anticipated that capital spending will be similar to the 2000 level. Capital spending on known growth and maintenance projects in 2001 is expected to be about 80% of the combined depreciation and amortization expense for the year. Expenditures planned for 2001 and beyond include continued investment to maintain and grow income in all Divisions. The Container Division, in particular, will continue to invest in equipment to manufacture and decorate larger diameter plastic tubes, and to manufacture dispensing closures and barrier packaging. These are all growing product categories.

Depreciation and amortization of other assets increased by $6.6 million in 2000 to $75.4 million from $68.8 million in 1999 due primarily to the effect of the capital spending program in 1998 and 1999 for the integrated management information system. Depreciation on this investment commenced in the Fourth Quarter of 1999. Goodwill amortization, net of tax, remained virtually unchanged in 2000 from 1999.

The decrease in the outstanding Class B shares during the year was due to the repurchase of 2.73 million shares under the Normal Course Issuer Bid process. The Normal Course Issuer Bid is covered by the rules of the Toronto Stock Exchange and allows the Company to repurchase approximately 5% of its issued and outstanding shares in a twelve-month period. During the twelve-month period ended December 31, 2000, the Company repurchased the balance of Class B non-voting shares available under the Normal Course Issuer Bid filed in 1999 and open until August 2, 2000. In addition, it repurchased the total Class B non-voting shares permitted under the Normal Course Issuer Bid, which commenced August 3, 2000. The Company anticipates renewing its filing for another twelve months in August 2001.

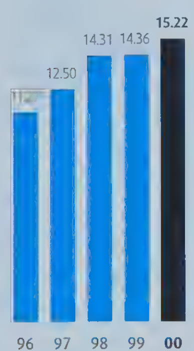
Total dividends for the year at $12.1 million were virtually the same as last year as a result of the decreased number of shares outstanding in 2000, offset by the increase of $0.01 per share quarterly, effective June 30, 1999. In 2000, the annual dividend was $0.27 per Class A share and $0.32 per Class B share. The Company has historically paid out dividends at a rate of 20–30% of normalized earnings.

Interest expense increased $0.9 million from $35.6 million in 1999 to $36.5 million in 2000 due to a higher average interest rate on floating-rate borrowings in 2000 compared to 1999. Interest coverage (defined as operating income before restructuring costs and interest expense divided by interest expense) decreased from 3.2 times in 1999 to 2.5 times in 2000 as a result of the reduced income contribution during 2000.

Over 80% of CCL's sales are derived outside of Canada and the income from these foreign operations is subject to varying rates of taxation. The Company has benefited from lower tax rates in these jurisdictions compared to the combined Canadian federal and provincial rates. The Company's effective tax rate varies from year to year as a result of the level of income in the various countries, the utilization of loss carry-forwards not previously recognized and the impact of non-deductible goodwill amortization.

The Company's debt structure is in place for coming years as a result of issuing notes for three private debt placements in 1996, 1997 and 1998, totaling US$333 million (approximately $499.3 million Canadian) with no repayments required until September 2002 and an average interest rate of 6.8%. In addition, as at December 31, 2000, the Company had a $US working capital line of credit arrangement with a Canadian bank in the amount of US$50.0 million. The US$6.4 million outstanding under this line of credit at year end was at floating rates of interest at a cost of approximately 6.5%. The Company has an Interest Rate Swap Agreement from a Canadian financial institution, the effect of which was to convert US$60 million of notional fixed rate debt into floating rate debt. In 2000, this Swap Agreement increased interest expense by $0.4 million compared to the fixed rate. In 1999, interest expense decreased by $0.5 million as a result of having the agreement in place.

Book Value per Share
Dollars



At December 31, 2000, shareholders' equity was $558.2 million compared to $564.3 million at the end of 1999. The $6.1 million decrease is due to:

Net earnings	$	26.7
Dividends		(12.1)
Repurchase of shares, net		(25.4)
Issuance of shares		1.0
Increase in unrealized foreign exchange gain on translation of net foreign assets		6.0
Cumulative effect of change in accounting policies		(2.3)
Decrease in shareholders' equity	$	(6.1)

Book value per share increased to $15.22 as at December 31, 2000 compared to $14.36 a year ago.

Environment, Health and Safety

The Company maintains active health and safety, and environmental programs for the purposes of preventing employee injuries and pollution incidents at its manufacturing sites. The program of corporate compliance audits and approvals of waste vendors continued in 2000. No material issues were identified during the audits.

CCL replaced and expanded its environmental impairment liability insurance policy as part of a global insurance program, which it entered into in May 2000. The Company's environmental, health and safety programs are used to assess the ongoing adequacy of environmental provisions and, where needed, the plans for site restoration. As of December 31, 2000, the Company believes it has made adequate provision in its financial statements for potential site restoration costs and other remedial obligations.

During 2000, investigation programs continued at several sites. At the original aerosol site in Toronto, the on-site bio-remediation of fuel oil impacted soils was completed. Further investigation of the ground water, at this site, identified the source of contamination and remediation will be conducted in 2001 to allow for the sale of the property. CCL continued its investigations of optimal remediation programs at two other sites in North America.

Due diligence activities in 1999 led to further soil and ground water investigations in 2000 at the German manufacturing site. A soil gas venting system was installed, and its operation will be completed in 2001. Ground water contamination is limited and negotiations with the authorities on the extent of required remediation will be concluded by mid-2001. The anticipated costs to complete the required remediation at this site are well within the reserves level set at the time of purchase.

In 1999, CCL received notice of a potential liability for clean-up of a landfill site used by a former owner of the Cumberland, RI manufacturing facility. In 2000, the Company entered into an agreement where the former owner pays for the remedial investigation phase, and CCL leads these activities under Environmental Protection Agency direction. Discussions continue between potentially responsible parties on a cost sharing agreement for the ultimate clean-up liability.

Risks

Significant consolidation within the retail and particularly the global brand marketer base continues. A parallel consolidation and rationalization movement is also evident in the packaging industry, which serves these marketers. As a result, the Company is continually evaluating the risks and opportunities this industry consolidation will have on its markets and its operations.

The industry, both marketers and suppliers, is in the process of evaluating the most effective ways to incorporate e-commerce to improve operations. This phase of B2B transformation is both a competitive risk and an opportunity for CCL. It will be essential for the Company to continue to educate employees, invest in the appropriate technologies, and re-engineer processes to stay abreast of industry changes within the supply chain. The Company is working closely with customers and suppliers to ascertain and support these advancements.

The Company is subject to the usual commercial risks associated with the non-durable consumer packaging industry. Business volumes are affected by overall consumer confidence, purchasing trends, changes in disposable income and personal debt levels. Other specific risks relate to price expectations by customers, technological changes including information technology, and economic risks including currency exchange and interest rates. A low inflation environment combined with the purchasing strength of multinational retailers continues to limit the opportunity to increase selling prices for many of the Company's products.

The non-durable consumer products industry relies on technological innovation and promotional packaging to achieve product differentiation and maintain acceptable margins. All Divisions must continually dedicate resources and capital to anticipate and meet customers' needs, to develop new products, and to maintain and grow market share. Risks specific to each Division have been discussed under the **Report on Divisional Operations**.

The Company has significant operating bases in both the U.S. and Europe. In 2000, 66.2% and 15.1% of total sales came from the U.S. and Europe respectively, compared to 67.4% and 15.0% in 1999. Non-Canadian operating results are translated into Canadian dollars at the average exchange rate for the year. The Canadian average rate for U.S. dollars was $1.49 in 2000 and $1.49 in 1999 and for U.K. sterling, was $2.25 in 2000 and $2.40 in 1999. The U.S. dollar net earnings translation sensitivity in 2000 was approximately $125,000 pre-tax for each one-cent exchange rate fluctuation. The exchange rate sensitivity for Europe, given its relatively small level of earnings, is not as material. The contribution from foreign business units in countries other than the U.S. and Europe in 2000 was 3.4% of CCL's total sales and 5.6% of CCL's total operating income, and the carrying value of investments in these countries was $73.8 million. Devaluation of currencies in Mexico, Costa Rica and China will not have a material negative effect on the consolidated financial results of the Company; however, operations in these countries are perceived to have greater political and economic risks.

Over the past twenty years, CCL has made large investments in subsidiaries in the United States and the United Kingdom. These currencies have, over this timeframe, appreciated against the Canadian dollar, resulting in significant unrealized foreign exchange gains. Further, the Company has made modest investments in Mexico and Costa Rica and the Canadian dollar has appreciated against these currencies resulting in unrealized foreign exchange losses. The subsidiaries in all four of these countries are currently generating free cash flow from their operations and it is the Company's intent to repatriate the surplus cash, as available, through dividend distribution and capital reductions.

Strategies

For a number of years, CCL's strategic focus has been to maximize the contribution from its current manufacturing base while looking for opportunities to expand the business geographically and increase market share. Growth included several acquisitions and reinvestment in existing businesses that complemented the existing manufacturing capabilities for the same customer base.

The Company has stated that its long-term goal is to be a low cost producer, as well as the industry leader in market share. With the sluggish outlook in demand for products and markets that it serves, CCL recognizes that it will be difficult to grow earnings at a faster rate than its key customer base without investing in innovation and product improvement or capturing additional market share. The Company believes that the previously stated expected annual growth rate of 15% for earnings will now be closer to 10%. Most of the other significant suppliers to this personal care and household consumer marketer base have also recently reduced their expected growth targets by 5% to 7%.

In the short term, the lower than expected demand pattern experienced in 2000 continues to affect the outlook for 2001. The Company will continue to focus on cost control, moderate capital spending, and reduction of working capital in order to maximize cash flow. Cash flow, before acquisitions and divestitures, is expected to remain at or above the 2000 level.

The key financial target, which has not changed, is to improve CCL's return on equity to at least 12% by 2005. Management believes that this level of equity improvement remains reasonable for the packaging industry and the Company. When achieved, this return on equity will produce sufficient cash flow to reinvest in the business. Accomplishing this return on equity objective will require the continued evaluation of all business units and the culling of non-core businesses or those without acceptable growth prospects, margins, or improvement in return on investment. The combination of divestments and maximization of cash flow from operations will provide the Company with flexibility to invest in long-term organic growth opportunities, as well as to further reduce debt, repurchase shares if trading below book value, and select acquisitions that can quickly become accretive to earnings. The Company will be seeking out qualified investments with the objective of providing a steady, improving stream of shareholder value through a combination of dividends and share price appreciation.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and all information in this Annual Report are the responsibility of management. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based upon estimates and judgments. When alternative accounting methods exist, management has chosen those it deems to be the most appropriate to ensure fair and consistent presentation. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

CCL maintains financial and operating systems which include appropriate and effective internal controls. Such systems are designed to provide reasonable assurance that the financial information is reliable and relevant, and that CCL's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and reviews the financial statements and Management's Discussion and Analysis; assesses the adequacy of the internal controls of the Company; considers the report of the external auditors; examines the fees and expenses for audit services; and recommends to the Board of Directors the independent auditors for appointment by the shareholders. The Audit Committee reports its findings to the Board of Directors for consideration when approving the annual financial statements for issuance to the shareholders.

These consolidated financial statements have been audited by KPMG LLP ("KPMG"), the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG have full and free access to, and meet periodically with, the Audit Committee.

D.G. Lang
President and Chief Executive Officer
February 14, 2001

S.W. Lancaster
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of CCL Industries Inc.

We have audited the consolidated balance sheets of CCL Industries Inc. as at December 31, 2000 and 1999, and the consolidated statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants
Toronto, Canada
February 14, 2001

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED DECEMBER 31, 2000 AND 1999

(in thousands of dollars except per share data)	**2000**	1999
Sales	**$ 1,589,087**	$ 1,568,875
Income from operations before undernoted items	**183,295**	197,532
Depreciation, and amortization of other assets	**75,351**	68,759
Interest (note 7)	**36,560**	35,642
Income from operations before restructuring costs, income taxes and goodwill amortization	**71,384**	93,131
Restructuring costs (note 4)	**18,776**	–
Earnings before income taxes and goodwill amortization	**52,608**	93,131
Income taxes (note 10)	**13,156**	26,760
Earnings before goodwill amortization	**39,452**	66,371
Goodwill amortization (net of tax of $2,406 in 2000 and $2,710 in 1999)	**12,798**	12,741
Net earnings	**$ 26,654**	$ 53,630
Earnings per Class B share (note 9)		
Earnings before goodwill amortization	**$ 1.04**	$ 1.68
Net earnings	**$ 0.70**	$ 1.36

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2000 AND 1999

(in thousands of dollars except per share data)	**2000**	1999
Assets		
Current assets		
Cash and cash equivalents	**$ 31,937**	$ 30,435
Accounts receivable – trade	**206,599**	211,302
Other receivables and prepaid expenses	**22,536**	23,010
Inventories (note 5)	**173,346**	180,216
Income and other taxes recoverable	**–**	2,440
	434,418	447,403
Capital assets (note 6)	**529,927**	552,801
Other assets	**16,152**	18,183
Goodwill	**399,243**	404,068
	$ 1,379,740	$ 1,422,455
Liabilities		
Current liabilities		
Bank advances (note 7)	**$ 10,073**	$ 55,191
Accounts payable and accrued liabilities	**222,214**	239,261
Income and other taxes payable	**3,632**	–
Current portion of long-term debt (note 7)	**3,741**	4,211
	239,660	298,663
Long-term debt (note 7)	**504,262**	483,634
Long-term liabilities (note 8)	**14,098**	15,035
Deferred income taxes (note 10)	**63,519**	60,825
Shareholders' equity		
Share capital (note 9)	**208,785**	222,491
Retained earnings	**329,728**	328,111
Foreign currency translation adjustment	**19,688**	13,696
	558,201	564,298
	$ 1,379,740	$ 1,422,455

Commitments and contingencies (note 11)

Approved by the Board

D.G. Lang, *Director*

J.K. Grant, *Director*

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2000 AND 1999

(in thousands of dollars except per share data)	**2000**	1999
Balance at beginning of year, as previously reported	**$ 328,111**	$ 293,633
Cumulative effect of change in accounting policies (note 2)	**(2,330)**	–
Balance at beginning of year, restated	**325,781**	293,633
Net earnings	**26,654**	53,630
Settlement of exercised stock options	**–**	(235)
Excess of purchase price over paid-up capital on repurchase of shares	**(10,630)**	(6,743)
	341,805	340,285
Dividends		
Class A shares	**666**	642
Class B shares and equivalent	**11,411**	11,532
	12,077	12,174
Balance at end of year	**$ 329,728**	$ 328,111

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2000 AND 1999

(in thousands of dollars except per share data)	**2000**	1999
Cash provided by (used for)		
Operating activities		
Net earnings	**$ 26,654**	$ 53,630
Items not requiring cash:		
Depreciation and amortization	**90,555**	84,210
Deferred income taxes	**5,240**	10,064
Restructuring costs (note 4)	**18,776**	–
	141,225	147,904
Net change in non-cash working capital	**(8,263)**	(23,199)
Cash provided by operating activities	**132,962**	124,705
Financing activities		
Proceeds of long-term debt	**5,347**	3,447
Retirement of long-term debt	**(3,940)**	(12,523)
Increase (decrease) in bank advances	**(45,116)**	10,633
Issue of shares	**1,021**	1,529
Settlement of exercised stock options	**–**	(5,877)
Repurchase of shares	**(25,358)**	(11,134)
Dividends	**(12,077)**	(12,174)
Cash used for financing activities	**(80,123)**	(26,099)
Investing activities		
Additions to capital assets	**(61,086)**	(91,109)
Business acquisitions (note 3)	**–**	(19,768)
Proceeds on disposals	**6,323**	–
Other	**2,373**	(39)
Cash used for investing activities	**(52,390)**	(110,916)
Effect of exchange rate on cash	**1,053**	(3,997)
Increase (decrease) in cash	**1,502**	(16,307)
Cash and cash equivalents at beginning of year	**30,435**	46,742
Cash and cash equivalents at end of year	**$ 31,937**	$ 30,435

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition.

(b) Foreign currency translation

The Company records foreign currency denominated transactions at the Canadian dollar equivalent at the date of the transaction and translates foreign currency denominated monetary assets and liabilities at year end exchange rates. Exchange gains and losses are included in earnings.

The Company's foreign subsidiaries are defined as self-sustaining. Revenue and expense items, including depreciation and amortization, are translated at the average rate for the year. All assets and liabilities are translated at year end exchange rates and any resulting exchange gains or losses are included in shareholders' equity and described as foreign currency translation adjustment. Gains and losses on the reduction of net investments in foreign subsidiaries are included in net earnings for the year.

Movement in the foreign currency translation adjustment during the year results from changes in the value of the Canadian dollar primarily in comparison to the U.S. dollar, the U.K. pound, the Euro dollar, and the Mexican peso, and from changes in foreign denominated net assets.

(c) Inventories

Raw materials and supplies are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis.

(d) Capital assets

Capital assets are recorded at cost, which includes interest and certain start-up costs during the construction of major projects. Depreciation is provided over the assets' estimated useful lives primarily on the straight-line basis using rates varying from 2% to 10% on buildings, and from 7% to 33% on machinery and equipment.

(e) Goodwill

Goodwill represents the excess of the purchase price over the fair values of net assets acquired, and is being amortized on a straight-line basis over periods up to 40 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the carrying value. Goodwill is written down to net recoverable amounts when declines in value are considered to be other than temporary based upon expected cash flows from the individual business units.

(f) Use of estimates

The presentation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. In particular, the amounts recorded for environmental matters, depreciation and amortization of capital assets and goodwill, and the valuation of goodwill are based on estimates. Actual results could differ from these estimates.

(g) Employee future benefits

The Company accrues its obligations under employee benefit plans and the related costs net of plan assets. Pension costs are determined periodically by independent actuaries. Benefits other than pensions are funded by the Company as they become due, and include life insurance programs and supplemental pension allowances. Benefits expense is charged to operations and includes:

(i) the cost of benefits provided in exchange for employees' services rendered during the year,

(ii) the amortization of past service costs and amendments over the expected average remaining service life of the employee group covered by the plans,

(iii) the interest cost of benefit obligations,

(iv) the expected return on fund assets,

(v) the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or market-related value of plan assets over the expected average remaining service life of the employee group covered by the plans, and

(vi) the gain or loss on a settlement or curtailment.

Refer to note 2 for adoption of new accounting standard for employee future benefits.

(h) Stock-based compensation plans

The Company has a stock-based compensation plan which is described in note 9. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

(i) Income taxes

Under the liability method of tax allocation, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred income tax assets or liabilities are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that deferred income tax assets will not be realized. Refer to note 2 for adoption of the new accounting standard regarding income taxes.

2. Cumulative Effect of Change in Accounting Policies

Effective January 1, 2000, the Company has adopted the Canadian Institute of Chartered Accountants' Handbook Section 3465, Income Taxes. The standard requires a change from the deferral method of accounting for income taxes under Handbook Section 3470, Corporate Income Taxes, to the asset and liability method of accounting for income taxes.

Pursuant to the deferral method, which was applied in 1999 and prior years, deferred income taxes were recognized for income and expense items that are reported in different years for financial reporting purposes and income tax purposes using the tax rate applicable for the year of the calculation. Under the deferral method, deferred taxes are not adjusted for subsequent changes in tax rates.

The Company has adopted Section 3465 retroactively without restatement of the 1999 comparative figures. As a result, retained earnings as at January 1, 2000 increased by $1.5 million.

Effective January 1, 2000, the Company adopted the Canadian Institute of Chartered Accountants' recommendations related to the accounting for employee future benefits as required by Handbook Section 3461. Specifically, the standard outlines guidance for the accounting for pension, and post-employment benefits other than pensions.

In accordance with the transitional provisions of the new standard the Company has applied the recommendations retroactively but has not restated comparative periods. The cumulative effect of the adoption of the new standard of $6.0 million ($3.8 million after tax) has been reflected as a charge to opening retained earnings.

3. Business Acquisitions

In June 1999, the Company purchased the shares of Rapid-Spray GmbH & Co. KG Fabrik Chemischer Erzeugnisse and PharmCoTec GmbH, that produce personal care, over-the-counter and industrial aerosol products in Germany, for cash consideration of $19.8 million. Goodwill arising on the transaction is amortized over 30 years.

The 1999 acquisition was accounted for by the purchase method, and the details of this transaction are as follows:

Working capital, non-cash	$	995
Non-current assets at assigned values		29,294
Long-term debt assumed		(19,964)
Net assets		10,325
Goodwill, being the excess of purchase price over the net assets acquired		9,443
Total consideration	$	19,768

4. Restructuring Costs

During 2000, a strategic decision was made to evaluate a number of under-performing or non-core businesses. Costs arising from this decision include a loss on the disposal of the labeling equipment business of $2.4 million, a write-down of certain operating assets of $14.6 million to reflect management's best estimate of net recoverable value and other expenses of $1.8 million associated with restructuring the operations.

5. Inventories

		2000		1999
Raw materials and supplies	**$**	**95,802**	$	107,444
Work in process and finished goods		**77,544**		72,772
	$	**173,346**	$	180,216

YEARS ENDED DECEMBER 31, 2000 AND 1999 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

6. Capital Assets

	2000	1999
Land	**$ 21,721**	$ 20,027
Buildings	**132,210**	116,782
Machinery and equipment	**859,878**	807,500
	1,013,809	944,309
Accumulated depreciation	**(483,882)**	(391,508)
	$ 529,927	$ 552,801

7. Total Debt

	2000	1999
Bank advances	**$ 10,073**	$ 55,191
Current portion of long-term debt	**3,741**	4,211
Long-term debt due after one year	**504,262**	483,634
Total debt outstanding	**$ 518,076**	$ 543,036

(a) The total borrowings at December 31, 2000 are denominated in the following currencies:

	Local Currency	Canadian Equivalent
Canadian dollars	$ 3,879	$ 3,879
U.S. dollars	$ 338,155	507,055
German marks	DM 9,913	7,142
		$ 518,076

The Company's foreign denominated debt acts as a partial hedge against its net investment in foreign operations.

(b) The short-term operating lines of credit provided to the Company, and amounts used included in bank advances, at December 31 are:

	2000	1999
Credit lines available	**$ 99,792**	$ 132,136
Credit lines used	**$ 10,073**	$ 55,191

At December 31, 2000, the major component of the short-term operating lines was a US$50.0 million revolving 364-day working capital facility of which $9.6 million (US$6.4 million) was outstanding.

Operating facilities amounting to $4.3 million are secured by land and buildings with the balance being unsecured. All are at interest rates varying with LIBOR (London Interbank Offered Rate) or the prime rate.

(c) Total long-term debt is comprised of:

	2000	1999
Unsecured senior notes issued March 1996 6.66%, repayable on March 15, 2006 (US$120.0 million)	**$ 179,937**	$ 173,185
Unsecured senior notes issued September 1997 6.97%, repayable in equal instalments starting September 2002 and finishing September 2012 (US$103.0 million)	**154,446**	148,651
Unsecured senior notes issued July 1998 6.9% weighted-average, repayable in three tranches with repayments after 12, 15 and 20 years (US$110.0 million)	**164,942**	158,753
Other loans	**8,678**	7,256
	$ 508,003	$ 487,845

Other loans include term bank loans, Industrial Revenue Bonds and mortgages at various rates and repayment terms.

(d) The Company has entered into an Interest Rate Swap Agreement in order to balance the Company's exposure to fixed and floating interest rates with a view to reducing interest costs over the long term.

Notional Principal Amount	Currency	Interest Rate Paid	Interest Rate Received	Maturity	Effective Date
$60,000	U.S.	90-day LIBOR	6.66%	March 15, 2006	March 15, 1999

CCL would have received approximately $0.3 million to close out the above-noted Interest Rate Swap Agreement on December 31, 2000.

(e) The overall weighted average interest rate on total long-term debt at December 31, 2000 was 6.9% (1999 – 6.9%).

(f) Interest expense incurred is as follows:

		2000		1999
Current	**$**	**4,605**	$	4,867
Long-term		**34,795**		33,579
		39,400		38,446
Interest income		**(2,840)**		(2,804)
Net interest expense	**$**	**36,560**	$	35,642

Interest paid during the year was $38.7 million (1999 – $39.2 million).

(g) Long-term debt repayments are as follows:

2001	$	3,741
2002		15,324
2003		15,149
2004		14,561
2005		14,293
2006 and beyond		444,935
	$	508,003

(h) Fair value of financial instruments:

The carrying value of cash and cash equivalents, accounts receivable, bank advances, and accounts payable and accrued liabilities approximates fair value due to the short-term maturities of these instruments. The fair value of long-term debt is $495.0 million (1999 – $444.3 million). Fair value of long-term debt is determined as the present value of contractual future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments.

8. Long-term Liabilities

Long-term liabilities relate primarily to environmental matters and represent management's best estimate for site restoration costs. The actual timing of payments against these liabilities is unknown.

9. Share Capital

The Company's authorized capital consists of an unlimited number of Class A voting shares and an unlimited number of Class B non-voting shares.

(a) Issued

	Class A		Class B		Exchangeable Equivalent	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at January 1, 1999	2,471	$ 4,702	36,457	$ 204,276	1,000	$ 16,375
Issued for cash under Employee share plans	–	–	154	1,529	–	–
Conversions from Class A to Class B shares	(2)	(4)	2	4	–	–
Repurchase of shares under Normal Course Issuer Bid	–	–	(799)	(4,391)	–	–
Balance at December 31, 1999	2,469	4,698	35,814	201,418	1,000	16,375
Issued for cash under Employee share plans	–	–	112	1,021	–	–
Conversions from Class A to Class B shares	(4)	(7)	4	7	–	–
Repurchase of shares under Normal Course Issuer Bid	–	–	(2,726)	(14,728)	–	–
Balance at December 31, 2000	**2,465**	**$ 4,691**	**33,204**	**$ 187,718**	**1,000**	**$ 16,375**

Total share capital at December 31, 2000 was $208.8 million (1999 – $222.5 million).

YEARS ENDED DECEMBER 31, 2000 AND 1999 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

(b) Share attributes

Class A

Class A shares carry full voting rights and are convertible at any time into Class B shares. Dividends are currently set at 5 cents per share per annum less than Class B shares.

Class B

Class B shares rank equally in all material respects with the Class A shares, except as follows:

(i) They are entitled to receive material and attend, but not to vote at, regular shareholder meetings.

(ii) They are entitled to voting privileges when consideration for the Class A shares, under a takeover bid when voting control has been acquired, exceeds 115% of the market price of the Class B shares.

(iii) They are entitled to receive, or have set aside for payment, dividends as declared by the Board of Directors from time to time.

Exchangeable

Class A Participating Exchangeable Common shares of CCL Plastic Packaging Inc., formerly SEDA Specialty Packaging Corp., a wholly-owned subsidiary, are exchangeable at the request of the holder into a total of 1,000,000 Class B non-voting shares of CCL Industries Inc. The holder is entitled to receive dividends equivalent to the dividend rate declared on Class B shares.

(c) Earnings per share

	2000		1999	
	Class A	**Class B**	Class A	Class B
Net earnings	**$ 0.65**	**$ 0.70**	$ 1.31	$ 1.36

The weighted average number of equivalent shares issued and outstanding is 38,267,007 (1999 – 39,667,824).

Fully diluted earnings per Class B share reflects the dilutive effect of the exercise of share options outstanding at December 31, assuming they had been exercised at the beginning of the year. The exercise of share options in 2000 would not have been dilutive. In 1999, fully diluted earnings per Class B share was $1.33.

(d) Stock-based compensation plans

At December 31, 2000 the Company has two stock-based compensation plans, which are described below:

(i) Employee Stock Option Plan

Under the Employee Stock Option Plan, the Company may grant options to employees, officers and directors of the Corporation for up to 3,000,000 Class B non-voting shares. The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options vest 20% on the grant date and 20% each year following the grant date.

A summary of the status of the Company's Employee Stock Option Plan as of December 31, 2000 and 1999, and changes during the years ending on those dates is presented below:

	2000		1999	
	Shares	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	**2,269**	**$ 14.33**	2,578	$ 15.02
Granted	**798**	**8.35**	714	13.43
Exercised	**(112)**	**9.13**	(700)	6.95
Forfeited	**(110)**	**16.28**	(323)	16.39
Expired	**(278)**	**11.50**	–	–
Outstanding at end of year	**2,567**	**$ 12.92**	2,269	$ 14.33
Options exercisable at end of year	**1,270**	**$ 14.43**	1,119	$ 13.76

The following table summarizes information about the Employee Stock Options outstanding at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercisable Prices	Options Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
$ 8.35 – 12.00	798	8.0 years	$ 8.35	159	$ 8.35
$ 12.01 – 14.00	494	8.9 years	$ 12.50	198	$ 12.50
$ 14.01 – 16.00	653	3.0 years	$ 15.20	502	$ 15.19
$ 16.01 – 17.50	622	5.8 years	$ 16.73	411	$ 16.78
$ 8.35 – 17.50	2,567	6.4 years	$ 12.92	1,270	$ 14.43

(ii) Executive Share Purchase Plan

Under the Executive Share Purchase Plan, the Company may provide assistance to senior officers and executives of the Company to invest in Class B shares of the Company by providing interest-free loans. The loans are secured by the Class B shares and are repayable when the shares are sold or upon completion of employment.

In 1999, the Company provided financial assistance to acquire 250,000 Class B shares under the plan at an average price of $13.66. As at December 31, 2000, the amount receivable from senior officers and executives is $3.1 million, which is included in other assets.

10. Income Taxes

(a) Effective tax rate

	2000	1999
Combined Canadian federal and provincial income tax rate	**34.7%**	35.7%
Earnings before income taxes and goodwill amortization	**$ 52,608**	$ 93,131
Expected income taxes	**$ 18,255**	$ 33,228
Increase (decrease) resulting from:		
Realized benefit of foreign tax rate	**(7,731)**	(4,180)
Prior to Section 3465, utilization of unrecognized U.K. operating losses	**–**	(2,536)
Unrecognized income tax benefit of losses	**1,102**	–
Restructuring costs not recognized for tax	**2,998**	–
Other	**(1,468)**	248
Income taxes	**13,156**	26,760
Income tax recovery on goodwill amortization	**2,406**	2,710
Net income taxes	**$ 10,750**	$ 24,050
Income taxes paid	**$ 9,167**	$ 12,089

(b) The tax effects of the significant components of temporary differences giving rise to the Company's net income tax assets and liabilities are as follows:

	2000	1999
Deferred income tax assets:		
Non-deductible reserves	**$ 13,250**	$ 17,820
Alternative minimum tax credit carry-forward	**15,262**	14,050
Amount related to tax losses carried forward	**28,372**	26,215
Deferred income tax assets before valuation allowance	**56,884**	58,085
Valuation allowance	**(24,988)**	(23,172)
Deferred income tax assets net of valuation allowance	**31,896**	34,913
Deferred income tax liabilities:		
Capital, goodwill and other assets	**79,727**	75,728
Other	**15,688**	20,010
Deferred income tax liabilities	**95,415**	95,738
Net deferred income tax liabilities	**$ 63,519**	$ 60,825

11. Commitments and Contingencies

The Company has commitments under various long-term operating lease agreements. Future minimum payments under such lease obligations are due as follows:

2001	$ 8,112
2002	6,497
2003	3,489
2004	2,757
2005 and beyond	5,357
	$ 26,212

YEARS ENDED DECEMBER 31, 2000 AND 1999 (TABULAR AMOUNTS IN THOUSANDS EXCEPT PER SHARE DATA)

The Company utilizes futures contracts to hedge the cost of aluminum used in its container manufacturing process against specific customer requirements. As at December 31, 2000, futures contracts for US$45.7 million of aluminum purchase commitments, extending into 2003, were outstanding.

The Company and its consolidated subsidiaries are defendants in actions brought against them from time to time in connection with their operations. While it is not possible to estimate the outcome of the various proceedings at this time, the Company does not believe that it will incur any significant additional loss or expense in excess of amounts provided.

12. Employee Benefits

The Company maintains several defined benefit pension plans, defined contribution pension plans, three supplemental retirement plans, and other post-employment benefit plans.

The expense for the defined contribution plans was $5.5 million in 2000 (1999 – $4.6 million).

Information on the defined benefit plans for 2000, including the defined benefit pension plans, three supplemental retirement plans and other post-employment benefit plans, is as follows:

	2000
Accrued benefit obligation:	
Balance at beginning of year in accordance with the Canadian Institute of Chartered Accountants' Handbook Section 3461	$ 40,587
Current service cost	2,405
Interest cost	2,464
Expenses and insurance premiums	(279)
Employee contributions	1,065
Benefits paid	(2,189)
Effect of curtailment	(938)
Actuarial loss	678
Foreign exchange rate changes	(728)
Balance at end of year	$ 43,065
Plan assets:	
Fair value at beginning of year	$ 33,047
Actual return on plan assets	(1,082)
Employer contributions	1,921
Employees' contributions	1,065
Benefits paid	(546)
Foreign exchange rate changes	(838)
Fair value at end of year	$ 33,567
Funded status – plan deficit	$ (9,498)
Unamortized net actuarial gain	714
Accrued benefit liability	(8,784)
Valuation allowances	(131)
Accrued benefit liability, net of valuation allowances	$ (8,915)

Included in the above accrued benefit obligation for 2000 is $10.1 million for the unfunded supplemental retirement plans and other post-employment benefit plans.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	2000
Discount rate	6.44%
Expected long-term rate of return on plan assets	7.29%
Rate of compensation increase	4.06%

The Company's net benefit plan expense is as follows:

	2000
Current service cost, net of employees' contributions	$ 2,405
Interest cost	2,464
Expected return on plan assets	(2,431)
Amortization of net actuarial gain	(51)
Valuation allowance provided against accrued benefit	15
Curtailment gain	(938)
Net benefit plan expense	$ 1,464

The Company is in the process of changing one of the defined benefit plans into a defined contribution plan. This gave rise to a curtailment gain of $0.9 million in 2000. The settlement gain/loss will be recognized when regulatory approval is obtained.

In 1999, based on the Canadian Institute of Chartered Accountants' Handbook Section 3460, the accrued benefit obligation for all pension plans was $26.8 million, which included $5.5 million for the unfunded supplemental retirement plans. The value of the assets in the defined benefit pension plans, principally calculated at market related values, was $31.6 million at December 31, 1999.

13. Segmented Information

The Company's reportable segments are generally managed independently of each other primarily because of product diversity. Each segment retains its own management team and is responsible for compiling its own financial information. The segmented financial information reflects this structure.

The Company has three reportable segments: Custom Manufacturing, Container and Label. The Custom Manufacturing segment produces aerosol, liquid and solid stick products. The Container segment manufactures aluminum containers, and aluminum, tin, laminate and plastic tubes, jars and closures. The Label segment produces pressure-sensitive self-adhesive labels, and designs and prints a wide range of high quality paper and film, expanded content, promotional, coupon and in-mold labels. It also manufactured and marketed pressure-sensitive label application equipment prior to the disposal of the labeling equipment business.

Sales to the Company's largest customer for all segments did not exceed 10% in 2000 and 1999.

The accounting policies of the segments are the same as those described in the summary of accounting policies. The Company evaluates performance based on income from operations before interest, restructuring costs and income taxes, and based on the return on operating assets.

(a) Industry segments

	Sales		Segment Income	
	2000	1999	**2000**	1999
Custom Manufacturing	**$ 832,284**	$ 792,825	**$ 41,977**	$ 47,957
Container	**333,098**	333,986	**32,588**	36,946
Label	**423,705**	442,064	**25,541**	36,440
	$ 1,589,087	$ 1,568,875	**100,106**	121,343
Corporate expense			**7,366**	8,021
Interest expense			**36,560**	35,642
Restructuring costs			**18,776**	–
Income taxes			**10,750**	24,050
Net earnings			**$ 26,654**	$ 53,630

	Identifiable Assets		Depreciation & Amortization		Capital Expenditures[1]	
	2000	1999	**2000**	1999	**2000**	1999
Custom Manufacturing	**$ 407,897**	$ 426,989	**$ 25,448**	$ 21,975	**$ 23,473**	$ 31,342
Container	**567,511**	559,501	**34,228**	32,689	**26,395**	28,953
Label	**388,898**	410,100	**30,313**	28,916	**10,305**	30,506
Corporate	**15,434**	25,865	**566**	630	**913**	308
Total	**$ 1,379,740**	$ 1,422,455	**$ 90,555**	$ 84,210	**$ 61,086**	$ 91,109

[1] Capital expenditures do not include the business acquisitions described in note 3.

(b) Geographic segments

	Sales		Capital Assets & Goodwill	
	2000	1999	**2000**	1999
Canada	**$ 296,069**	$ 277,069	**$ 87,755**	$ 91,537
United States	**1,052,543**	1,057,143	**765,622**	781,503
Europe	**240,475**	234,663	**75,793**	83,829
	$ 1,589,087	$ 1,568,875	**$ 929,170**	$ 956,869

ELEVEN YEAR FINANCIAL SUMMARY

IN THOUSANDS OF DOLLARS EXCEPT PER SHARE AND RATIO DATA

	2000	1999	1998	1997
Sales and net earnings				
Sales	$ 1,589,087	$ 1,568,875	$ 1,469,195	$ 1,283,192
Depreciation and amortization	90,555	84,210	75,710	56,464
Interest expense	36,560	35,642	35,195	23,583
Earnings from continuing operations	* 26,654	53,630	44,394	** 40,710
Net earnings	26,654	53,630	44,394	40,710
Net earnings per Class B share from continuing operations	* .70	1.36	1.22	** 1.16
Net earnings per Class B share	.70	1.36	1.22	1.16
Financial position				
Current assets	$ 434,418	$ 447,403	$ 429,990	$ 456,793
Current liabilities	239,660	298,663	261,251	417,115
Working capital	194,758	148,740	168,739	39,678
Total assets	1,379,740	1,422,455	1,412,908	1,243,175
Net debt	486,139	512,601	506,057	521,347
Shareholders' equity	558,201	564,298	571,417	449,880
Net debt to equity ratio	.87	.91	.89	1.16
Net debt to total capitalization	46.5%	47.6%	47.0%	53.7%
Number of shares *(in thousands)*				
Class A – December 31	2,465	2,469	2,471	2,474
Class B – December 31 (note 1)	34,204	36,814	37,457	33,512
Weighted average for the year	38,267	39,668	36,596	35,295
Cash flow				
EBITDA (note 2)	$ 183,295	$ 197,532	$ 174,874	$ 139,896
Cash provided by operations	132,962	124,705	97,393	108,657
Additions to capital assets	61,086	91,109	98,955	72,522
Business acquisitions	–	19,768	129,949	274,227
Dividends	12,077	12,174	10,259	9,797
Dividends per Class B share	.32	.31	.28	.28
Cash flow per Class B share (note 3)	3.47	3.48	3.28	2.76

* After pre-tax restructuring costs of $18.8 million.

** After net pre-tax gain of $0.4 million on sale of Kolmar Cosmetics, the Powder operations and write-down of U.K. Parkfields unit.

*** After pre-tax gain of $65.9 million on sale of Crown Cork & Seal shares and asset write-down and provision for restructuring costs of $69.7 million.

**** After pre-tax gain of $48.2 million on sale of Crown Cork & Seal shares.

***** After pre-tax provision of $30.0 million for decline in real estate values and gain of $23.0 million on sale of Crown Cork & Seal shares.

Note 1 Class B shares include 1,000,000 exchangeable shares.

Note 2 EBITDA defined as earnings before interest, restructuring costs, income taxes, depreciation and amortization.

Note 3 Cash flow defined as net earnings before restructuring costs, plus depreciation and amortization.

	1996	1995	1994	1993	1992	1991	1990
	$ 1,151,546	$ 979,318	$ 933,226	$ 830,264	$ 709,602	$ 596,377	$ 473,778
	45,790	37,651	35,448	33,035	28,910	26,447	19,347
	18,653	11,952	8,884	10,899	15,777	19,487	12,959
	38,646	32,768	28,035	*** 6,103	**** 44,708	***** 185	8,957
	38,646	32,768	28,035	6,103	44,708	185	18,982
	1.13	.98	.85	*** .19	**** 1.37	***** .01	***** .28
	1.13	.98	.85	.19	1.37	.01	.59
	$ 313,361	$ 266,204	$ 250,514	$ 287,670	$ 314,651	$ 164,742	$ 137,352
	256,711	208,493	218,703	236,265	239,583	155,267	116,171
	56,650	57,711	31,811	51,405	75,068	9,475	21,181
	842,254	780,079	651,004	650,919	737,442	598,211	568,422
	234,444	242,848	133,875	66,739	248,792	198,317	200,425
	394,104	357,867	335,287	313,621	302,925	257,178	265,756
	.59	.68	.40	.21	.82	.77	.75
	37.3%	40.4%	28.5%	17.5%	45.1%	43.5%	43.0%
	2,498	2,509	3,425	3,560	3,678	3,882	3,996
	32,477	31,612	29,503	30,292	29,229	29,151	28,862
	34,436	33,710	33,313	33,246	32,879	32,784	32,621
	$ 120,953	$ 100,991	$ 89,180	$ 65,518	$ 63,210	$ 53,277	$ 47,163
	73,359	60,430	49,677	20,912	20,020	14,880	24,702
	43,172	44,743	49,235	62,253	41,786	35,146	24,684
	12,397	128,222	10,045	–	13,858	30,519	56,999
	9,542	9,374	9,156	9,175	9,024	8,989	8,781
	.28	.28	.28	.28	.28	.28	.28
	2.45	2.09	1.91	1.44	1.29	.98	.89

CCL has adopted formal governance practices in accordance with the guidelines published by the Toronto Stock Exchange. The guidelines set out recommendations concerning the responsibilities, composition, and practices of boards of directors and their committees.

Mandate of the Board

CCL's Board has a written mandate which includes among the duties and objectives of the Board the approval and monitoring of the strategic, business and capital plans of the Corporation; succession planning for senior management; assessment of risk factors affecting the Corporation; and ensuring the integrity of the reporting and information controls that enable the Board to function effectively.

Composition of the Board

The TSE recommends that the majority of directors on the board be "unrelated" to the Corporation. At present, six of the Company's nine directors are unrelated, which means that they are not members of management, and do not have any material interests or relationships with the Corporation other than as shareholders.

Board Committees

The TSE recommends that committees of the Board be generally comprised of outside directors (meaning directors who are not employees of the Corporation), a majority of whom are also unrelated directors.

The Executive Committee includes the Chairman and President and consists of three related and inside directors and four unrelated outside directors. The mandate of the committee is to act on behalf of the Board of Directors on urgent matters between Board meetings and if the full Board is not available. The Executive Committee works with the CEO in the development of strategic issues for presentation to the Board.

The Audit Committee consists of five directors, four of whom are unrelated and outside directors. Its mandate includes: the review of financial statements; the monitoring of appropriate accounting and financial system controls; and the evaluation of the external auditors.

The Human Resources Committee consists of six directors, one of whom is an inside, related director, and five of whom are unrelated and outside directors. The mandate of this committee includes: the recommendation of executive compensation programs for all officers including the CEO; review of officers' performance; monitoring and managing the succession planning process; reviewing the appropriateness of directors' compensation; and evaluating the performance of the CEO.

The Nominating and Governance Committee consists of four directors, two of whom are outside and unrelated directors. The mandate of the committee includes: finding and recommending new directors; the orientation and education of directors; the recommendation of directors for committee memberships; and the overall monitoring of the performance of the Board of Directors and its committees.

The Environment and Health & Safety Committee consists of three directors, two of whom are unrelated and outside directors. The committee is responsible for reviewing the Corporation's policies and programs governing health, safety and environmental matters, monitoring the effectiveness of current management systems and recommending improvements as needed.

For a complete discussion of CCL's corporate governance practices, please refer to CCL's Management Proxy Circular.

DIRECTORS, OFFICERS AND MEMBERS OF THE COMMITTEES OF THE BOARD OF DIRECTORS

Directors

Gordon S. Lang, B.A.Sc., P. Eng.
Founder Chairman

Gordon S. Lang is founding chairman of CCL and has led the Company since its founding in 1951. A University of Toronto electrical engineering graduate, Mr. Lang served with the Royal Canadian Artillery and Royal Canadian Infantry in World War II.

Chairman of: Executive Committee
Member of: Human Resources Committee
Nominating and Governance Committee

Jon K. Grant, B.A. (Hon.), LL.D.
Chairman

Jon K. Grant is chairman of the board of the Laurentian Bank of Canada, the Canada Lands Company Limited and has been a director of CCL since 1994. He is also former chairman and CEO of the Quaker Oats Company of Canada Limited, former chairman of Scott Paper Limited and former chairman of the board of governors of Trent University. Mr. Grant is also a director of B2B Trust, and AXA (Canada) Insurance. He is currently chairman of the Ontario Board of the Nature Conservancy of Canada and the Canadian Canoe Museum.

Chairman of: Environment and Health & Safety Committee
Member of: Nominating and Governance Committee
Executive Committee

Donald G. Lang, B.A. (Hon.)
President & CEO

Donald G. Lang became president and CEO of CCL in 1999. Previously, he was CCL's president and COO, after leading CCL Custom Manufacturing for five years. An 18-year veteran of CCL, Mr. Lang has been a company director since 1991 and is on the Advisory Committee of the Richard Ivey School of Business.

Member of: Executive Committee
Environment and Health & Safety Committee

Paul J. Block

Paul Block is chairman and chief executive officer of Proteus Capital Associates, LLC, an investment banking firm. He also provides international consulting services to Federated Department Stores, CITIC (China International Trust and Investment Corporation), and to CP Group of Thailand. Previously, Mr. Block was a senior consultant to Lehman Brothers and was chairman and president of Revlon International. Mr. Block is a board member of the CITIC Technology Fund, the China Retail Fund and the Shanghai-Syracuse University International School of Business. He is also a member of the Advisory Board of the Syracuse University School of Management. Mr. Block has served as a director of CCL since 1997.

Chairman of: Nominating and Governance Committee
Member of: Executive Committee
Human Resources Committee

Dermot G. Coughlan
F.C.C.A. – U.K.

Dermot G. Coughlan retired as founder chairman and CEO of Derlan Industries Limited in June 2000. Mr. Coughlan has served as a director of CCL since 1991, is a director of Mackenzie Financial Corporation and chairman and CEO of Derland Holdings Inc., a private investment holding company.

Chairman of: Audit Committee
Member of: Executive Committee
Human Resources Committee

Albert Gnat, LL.B., Q.C.

Albert Gnat is a partner at Lang Michener, a Toronto law firm. Mr. Gnat has served major public corporations for more than 25 years as a specialist in securities law, mergers and acquisitions and finance transactions. A director of CCL since 1973, Mr. Gnat also serves on the boards of several other Canadian corporations including CamVec Corporation, Leitch Technology Corporation, IKEA Limited, MDC Corporation Inc., Rogers Communications Inc., Rogers Wireless Inc., Rogers Wireless Communications Inc., Slater Steel Inc., and Vitran Corporation.

Member of: Executive Committee
Audit Committee
Environment and Health & Safety Committee

H. John Greeniaus, B.Com. (Hon.)

H. John Greeniaus is the former chairman and CEO of Nabisco Inc. and held key marketing positions at Procter & Gamble and Pepsi Co. A director of CCL Industries Inc. since 1998, he serves as a director of Primedia Inc. and True North Inc. and on the International Advisory Council of McGill University.

Chairman of: Human Resources Committee
Member of: Audit Committee

Stuart W. Lang, B.Sc. (Eng.)
President of CCL Label, Canada

Stuart W. Lang is president of CCL Label, Canada and has been a director since 1991. He has held senior positions throughout the Custom Manufacturing and Label Divisions since joining the Company in 1982. Prior to this, Mr. Lang played for the CFL's Edmonton Eskimos for eight years.

Member of: Executive Committee
Audit Committee
Nominating and Governance Committee

Lawrence G. Tapp, B.A., B.B.A.

Lawrence G. Tapp is dean of the Richard Ivey School of Business, and was with the Faculty of Business at University of Toronto from 1993 to 1995. A CCL director since 1994, Mr. Tapp was vice-chairman, president and CEO of Lawson Mardon Group Ltd. from 1985 to 1992.

Member of: Audit Committee
Human Resources Committee

Officers

Gordon S. Lang
Founder Chairman

Jon K. Grant
Chairman of the Board

Donald G. Lang
President and
Chief Executive Officer

Paul Cummings
Vice President, and President
CCL Custom Manufacturing

Albert Gnat, Q.C.
Secretary

Steven W. Lancaster
Senior Vice President
and Chief Financial Officer

Stuart W. Lang
Vice President, and President
CCL Label Canada

Serge De Paoli
Vice President, and President
CCL Label

Mary T. Roy
Vice President
Environmental and Regulatory Services

Bohdan I. Sirota
General Counsel and
Assistant-Secretary

Meldon H. Snider
Executive Vice President

Janis M. Wade
Senior Vice President
Human Resources and
Corporate Communications

Rami E. Younes
Vice President, and President
CCL Container

At a meeting of the Board of Directors on February 22, 2001, Jean-René Halde and Stephen Friedman were elected directors and Akhil Bhandari and Richard Zakaib were appointed vice presidents of the Corporation.

Auditors
KPMG LLP
Chartered Accountants

Legal Counsel
Lang Michener

Transfer Agent
CIBC Mellon Trust Company
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Annual Shareholders' Meeting
The Annual Shareholders' Meeting will be held on
May 2, 2001 at 11:00 a.m.
TSE Conference Centre
TSE Auditorium
The Exchange Tower
130 King Street West
Toronto, Ontario

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Class B Share Information

Stock Symbol	CCQ.B
Listed	TSE
Opening Price	$ 13.90
Closing Price	$ 8.75
Number of Trades	9,465
Trading Volume (shares)	13,798,578
Trading Value	$ 124,062,661
Annual Dividends Declared	$ .32

Shares Outstanding at December 31, 2000

Class A	2,465,633
Class B and Equivalent	34,203,545

There are two classes of CCL shares. Class A shares are voting and Class B and equivalent are non-voting shares. Share attributes of both classes are listed on page 24 of this report.

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